



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

201425025

MAR 26 2014

U.I.L 414.08-00

T:EP:RAIT3

Attention: *****

LEGEND:

Religious Denomination A = *****

Level 1 Church = *****

Level 2 Church = *****

Level 3 Church = *****

Group B = *****

Church C = *****

Church D = *****

Church E = *****

Church F = *****

Church G = *****

Church H = *****

Organization I = *****

Organization J	=	*****
Organization K	=	***** *****
Organization L	=	*****
Organization M	=	*****
Organization N	=	*****
Organization O	=	*****
Organization P	=	***** ***** ***** ***** *****
Organization Q	=	*****
Organization R	=	*****
Organization S	=	*****
Organization T	=	*****
Organization U	=	***** *****
Organization V	=	***** ***** *****
Organization W	=	*****
Organization X	=	*****
Organization Y	=	*****
Plan Z	=	*****
Country A	=	*****

Dear *****:

This is in response to a letter dated December 22, 2006, as supplemented by letters dated January 13, 2012, February 2, 2012, February 6, 2012, October 2, 2013, and December 3, 2013, submitted by your authorized representative regarding the status of Plan Z as a church plan within the meaning of section 414(e) of the Internal Revenue Code (the "Code").

The following facts and representations have been submitted under penalty of perjury in support of the ruling requested:

Religious Denomination A generally embodies a three-level organizational structure. Individuals who live in a geographic area typically form, and become members of, a Level 1 Church, which is the local group or church congregation. Two or more Level 1 Churches in the same geographical area are united in a broader Level 2 Church. Level 2 Churches commonly meet four times a year, and their purpose is to transact business and share information between Level 1 Churches. A Level 1 Church appoints individuals to represent it in the Level 2 Church of which it is a part, and in the Level 3 Church for the geographical area in which it is located. Level 3 Churches are the highest authority within Religious Denomination A, and have general oversight of the constituent Level 1 Churches. (However, some Level 1 Churches are part of a Level 3 Church, but not part of a Level 2 Church, and a few are not part of either a Level 2 Church or Level 3 Church.) Level 1 Churches, Level 2 Churches and Level 3 Churches are hereinafter collectively referred to as "Churches."

Group B established Plan Z, a self-funded health benefit plan, effective January 1, 2007. Plan Z is sponsored, administered, and maintained by Group B.

Under the terms of Plan Z, the only organizations eligible to enroll and participate in the plan as participating employer organizations are (1) recognized Level 3 Churches, Level 2 Churches, Level 1 Churches, or other churches of Religious Denomination A in the United States, (2) Religious Denomination A organizations in the United States, (3) recognized regional or national associations of Religious Denomination A, or (4) members of a recognized regional or national association of Religious Denomination A. In addition, the plan provides that a participating employer organization must be "eligible to receive church plan designation by the Internal Revenue Service." Plan Z is not established and maintained primarily for the benefit of employees (and their beneficiaries) of a church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code).

Group B was formed in 2006 to carry out the charitable and religious purposes of Religious Denomination A, in particular to facilitate the provision of

cost-effective health insurance to employees of Religious Denomination A organizations that are members of Group B. Group B is an organization described in section 501(c)(3) of the Code. Additionally, the Internal Revenue Service ("Service") has previously ruled that Group B is a "supporting organization" that satisfies the requirements of section 509(a)(3) of the Code.

The board of directors of Group B is elected by Group B's member organizations. The board of directors consists of not fewer than nine and not more than eleven members. At least 51% of the members of the board must be members of Religious Denomination A. All but two of the directors must be chief executive officers, other senior staff members, or active members of the board of a Group B member organization.

To simplify billing, the Level 1 Churches that have employees covered under Plan Z are billed by Group B through their respective Level 3 Churches. Most of such Level 1 Churches have only one employee covered by Plan Z. The respective Level 3 Churches receive a monthly invoice from Group B, and then the Level 3 Churches bill their constituent Level 1 Churches for the coverage of the Level 1 Church employees. In cases where a Level 3 Church is a participating employer organization with respect to Plan Z, only employees of the Level 3 Church itself or of a constituent Level 1 Church or Level 2 Church are intended to receive coverage through the Level 3 Church.

The following entities are participating employer organizations in Plan Z:

Church C, Church D, Church E, Church F, Church G, and Church H are each a Level 3 Church of Religious Denomination A, and each has previously been determined by the Service to be exempt from tax under section 501(c)(3) of the Code. Churches C through H have also each previously been determined by the Service to be a church described in section 170(b)(1)(A)(i) of the Code.

Organization I is one of the three largest organizations of Religious Denomination A churches with the stated purpose of nurturing the spiritual vitality of 14 Level 3 Churches and 10 directly affiliated Level 1 Churches. The Service has previously determined that Organization I is a convention of churches described in section 170(b)(1)(A)(i) of the Code, and exempt from tax under section 501(c)(3) of the Code.

Organization J is an association of Level 3 Churches and smaller Religious Denomination A groups, all of which consult and work together for shared purposes. Organization J is exempt from tax under section 501(c)(3) of the Code. The Service has previously determined that Organization J is a convention or association of churches.

Organization K is a section 501(c)(3) organization whose stated mission is to answer God's call to universal love by bringing those of the Religious

Denomination A faith across the hemisphere together to express their common heritage and bring the Religious Denomination A message to the world. Level 3 Churches and certain foreign-based Religious Denomination A churches constitute at least 75% of the membership of Organization K. You represent that the Service has previously determined that Organization K is a convention of churches.

Organization L is a retirement community which is "under the care of" Religious Denomination A. Under Organization L's bylaws, the majority of the trustees of Organization L are appointed by the Level 3 Church for Organization L's region. Each trustee of Organization L must be a member of Religious Denomination A. Organization L's values statement lists the "Hallmarks of [Religious Denomination A] Service" under which it operates. Organization L is exempt from tax under section 501(c)(3) of the Code.

Organization M is a center for members of Religious Denomination A. The members of Organization M's board of directors are appointed by the Level 1 Churches listed in Organization M's bylaws, each of which is a constituent of the regional Level 3 Church. Organization M is listed in the directory of the local Level 1 Church of Religious Denomination A. Organization M's stated purpose is to support those who seek to make visible "the [Religious Denomination A] values of peace, community, simplicity, equality, and truth." Organization M sponsors educational programs in the subject areas of its mission, provides direct services to the poor and marginalized through its work camps, and provides overnight accommodation for travelers. Organization M holds daily meetings for worship. Organization M is exempt from tax under section 501(c)(3) of the Code.

Organization N is a center for Religious Denomination A educational activities and the home of a Level 1 Church. In addition, Organization N is a residence for 21 people interested in living the Religious Denomination A principle of community and has two guest rooms. Organization N's governing corporate board is comprised of representatives of the Level 2 Churches within Church F. Organization N's mission statement is:
[Religious Denomination A]

center fulfills its mission by, among other things, providing a center where members of Religious Denomination A and others can meet, worship and study, and by advancing and fostering the principles of Religious Denomination A. Organization N conducts educational programs exploring aspects of Religious Denomination A through study and workshops. The Service has previously determined that Organization N is exempt from tax under section 501(c)(3) of the Code.

Organization O was founded by members of Religious Denomination A and conducts activities such as nonviolence training and prison workshops.

Under its bylaws, Organization O was organized to function as an agency "under the care of" Church G. In Religious Denomination A, for an organization to be "under the care of" Church G means that Church G has a relationship with that organization and that the church may provide board members, financial support, or other forms of support for that organization. Six of the approximately 20 members of Organization O's board of directors are appointed by Church G. Organization O makes decisions in the tradition of Religious Denomination A. Organization O is listed in the yearbook of Church G and receives regular financial support from Church G and a number of constituent Level 1 Churches. The Service has previously determined that Organization O is exempt from tax under section 501(c)(3) of the Code.

Organization P is a continuing care community. Organization P's philosophy of care is based on Religious Denomination A values of integrity, equality, harmony and simplicity, and on the provision of service "that honors the inner light within each of us." Organization P's philosophy "honors that of God within, in doing so." Nominations for the board of trustees of Organization P must be approved by the executive committee of a particular Level 3 Church, and upon dissolution of Organization P, any remaining assets would be distributed to such Level 3 Church. At all times, the majority of the board of trustees of Organization P must be members of Religious Denomination A. The trustees and all committees of Organization P are to conduct their meetings in accordance with Religious Denomination A practices and tradition, as reflected in specified materials of a Level 3 Church. Organization P's bylaws establish a committee that works to enhance the Religious Denomination A presence or characteristics of the organization and to further the understanding of the testimonies of members of Religious Denomination A among the members, staff, residents, and the surrounding community. The Service has previously determined that Organization P is exempt from tax under section 501(c)(3) of the Code.

Organization Q is a health service organization whose services include continuing care retirement services. A Level 2 Church was involved in the founding of Organization Q. Organization Q is listed on such Level 2 Church's website under the heading "Our Retirement and Healthcare Facilities." Currently, Organization Q has 11 board members, of whom 8 are members of Level 1 Churches that are members of such Level 2 Church. Each week, a different Level 1 Church within such Level 2 Church is responsible for conducting a weekly service of worship at Organization Q. Organization Q's bylaws require that a majority of its directors be members of a Level 1 Church. Organization Q's stated purpose is to support the capacity of its residents to live creatively and meaningfully, in part, by the Religious Denomination A philosophy that guides staff, volunteers, and participants to "seek that of God in everyone." Organization Q's bylaws state its intent "to improve the quality of life for members of [Religious Denomination A] and others who are in need of care and treatment." Organization Q is exempt from tax under section 501(c)(3) of the Code.

Organization R is a continuing care retirement community founded by members of a Level 1 Church, and is listed on that Level 1 Church's website. Such Level 1 Church meets every Wednesday for worship at Organization R. Organization R is "a [Religious Denomination A] directed" facility based on the values and convictions of Religious Denomination A. Under its bylaws, Organization R's board is composed of between 11 and 15 regular members, plus 3 resident members. No less than a majority of the regular members must be members of Religious Denomination A. Currently, six members of the board attend such Level 1 Church. The bylaws provide for the use of Religious Denomination A decision-making procedures in the conduct of the corporation's business. Under the bylaws, the board appoints members of Organization R's standing committees from among directors, residents, members of the Level 1 Church and members of the wider community. The Service has previously determined that Organization R is exempt from tax under section 501(c)(3) of the Code.

Organization S is a corporation whose stated purpose is to construct, renovate, operate, and maintain buildings to be occupied by its "member organizations" and by other organizations which have concerns, practices, and principles compatible with those of Religious Denomination A. The members of Organization S are appointed by Church E, by a Level 1 Church associated with Church E, and by an organization affiliated with Religious Denomination A. Each of these 3 organizations appoints three individuals to serve as the members of Organization S. Thus, Church E and such Level 1 Church together appoint a total of 6 of the 9 members of Organization S. Each of Organization S' members also serves as a member of the board of directors of Organization S, along with one director appointed by each of the non-member organizations that occupy space in the buildings owned by Organization S. The non-member directors have authority only to participate in decisions relating to the management and operation of a building owned by Organization S, and have no authority to participate in other decisions of Organization S' board of directors. Upon dissolution of Organization S, any assets remaining go to the member organizations pursuant to an agreement, provided that no assets will be distributed to any organization that is not then a tax-exempt charitable organization within the meaning of section 501(c)(3) of the Code. Organization S is listed in the directory of Church E. The Service has determined that Organization S is exempt from tax under section 501(c)(3) of the Code, and that it is a "supporting organization" described in section 509(a)(3) of the Code.

Organization T is a not-for-profit corporation whose purpose is to provide financial services, such as investment management services and trustee services, funding grants, and planned giving services to Religious Denomination A organizations. Organization T serves over 250 Religious Denomination A Churches, schools, organizations, trusts, and endowments. Organization T's investment philosophy is "grounded in the beliefs of" Religious Denomination A,

and its statement of purpose provides that it seeks to do its work with Divine guidance, and in a manner consistent with the principles and practices of Religious Denomination A. Under its bylaws, the board of directors of Organization T consists of between 21 and 24 members of Church E, who are nominated by Church E. There may be up to three additional board members who are members of other Level 3 Churches. The bylaws of Organization T provide that it is expected that the corporation's business will be accomplished in the manner traditionally used for the conduct of business by members of Religious Denomination A. Organization T's articles of incorporation provide that upon its dissolution, any remaining assets are to go to Church E, provided Church E continues to qualify under section 501(c)(3) of the Code or a successor provision. Organization T is listed in Church E's directory. The Service has previously determined that Organization T is exempt from tax under section 501(c)(3) of the Code, and that it is a supporting organization described in section 509(a)(3) of the Code.

Organization U is a school for students in kindergarten through Grade 8. Under its bylaws, the school's purpose is to be a Religious Denomination A school whose values, beliefs, principles and practices reflect those of Religious Denomination A. A majority of the members of Organization U's board of directors must be members of Religious Denomination A. Organization U is listed in the directories of Church E and of a Level 2 Church. Organization U is listed as one of 40 nursery, elementary, and high schools "within [Church E]". Church E provides tuition assistance for children of Church E families at Church E schools, including Organization U. The board of Organization U and its subcommittees are to conduct their business in the manner of Religious Denomination A. Preference in admission and hiring is given to members of Religious Denomination A, as well as, in the case of admission, to siblings of current and former students and children of alumni. One of Organization U's operating principles is spirituality, and it has a weekly meeting of members of Religious Denomination A for worship. Organization U is exempt from tax under section 501(c)(3) of the Code.

Organization V is a senior community offering programs of care and services to older persons with moderate to severely limited incomes. Organization V has a historical relationship with a Level 2 Church that is part of Church E, and with that Level 2 Church's constituent Level 1 Churches. Organization V receives regular financial support from such local Level 1 Churches. Organization V leases one of its two buildings, and the land associated with that building, from such a Level 1 Church, at a highly subsidized rate. That real estate (and other real estate held by Organization V) would revert to such Level 1 Church if not used by Organization V for the intended purposes. Organization V provides annual reports to the Level 2 Church. Organization V is listed on Church E's website among the Religious Denomination A organizations serving the aged. Organization V is an eligible recipient of grants from Level 1 Churches and groups associated with Church E that provide grants.

Organization V's bylaws require that a majority of its directors be members of Religious Denomination A. Currently 10 of Organization V's 18 directors are members of Level 1 Churches that are part of Church E. Organization V's bylaws contain its mission statement and diversity statement, both reflecting Religious Denomination A values and practices. Its mission statement provides that it is guided by Religious Denomination A traditions. The Service has previously held that Organization V is exempt from tax under section 501(c)(3) of the Code.

Organization W is a continuing care retirement community guided by the principles of Religious Denomination A. A majority of the members of Organization W's board must be members of Religious Denomination A, meaning that they must be members of a Level 1 Church. Organization W currently has 13 board members, 8 of whom are members of Religious Denomination A, and all of whom are drawn from the district of Church E. 6 of the 13 members of Organization W's board of directors are members of a specified Level 2 Church. Organization W is listed on such Level 2 Church's website under the heading "Our Retirement and Healthcare Facilities." Meetings of the Organization W's board are to be conducted in the manner of members of Religious Denomination A. A Religious Denomination A meeting for worship is held at Organization W each week for anyone wishing to attend. Under Organization W's articles of incorporation, upon its dissolution, the remaining assets of Organization W must go to a particular 501(c)(3) entity associated with Church E. Organization W has a subcommittee that works to promote a broader understanding of Religious Denomination A practices and beliefs through lectures, movies, exhibits and other activities. Organization W's staff attends a program designed to make them more aware of the beliefs and practices of Religious Denomination A. The Service has previously determined that Organization W is exempt from tax under section 501(c)(3) of the Code.

Organization X is an international non-sectarian development organization guided by Religious Denomination A principles and dedicated to reducing poverty among the indigenous peoples of Country A. You represent that Organization X is a Religious Denomination A response to poverty. Organization X is supported by more than 140 Religious Denomination A Churches, and uses the facilities of a Level 1 Church for its annual meeting. Under its bylaws, a majority of the members of its board of directors must be members or attendees of Religious Denomination A. Organization X's bylaws provide that the procedures used in meetings will be those of Religious Denomination A, to the extent not inconsistent with its bylaws, articles of incorporation, or provisions of law. Organization X funds water, irrigation, and agricultural projects that come from the local Country A communities. This work, which takes place in some of the poorest communities in the world, is a core activity in [Religious Denomination A] testimony to equality. Organization X is exempt from tax under section 501(c)(3) of the Code.

Organization Y is comprised of members of Religious Denomination A and persons of faith who provide capital to help support women's self-help groups conducting micro-credit projects. Organization Y's website says "We believe God is calling [members of Religious Denomination A] and other persons of faith in the United States" to its goal, and explains the motivation for such goal grounded in scripture. Organization Y receives virtually all of its funds from members of Religious Denomination A, from half of the Level 3 Churches in the United States, and from about 10% of the Level 1 Churches in the United States. Organization Y solicits the members of its board of directors from Level 3 Churches, Level 2 Churches, and Level 1 Churches. Fourteen of the 16 members of Organization Y's board of directors are members of a Religious Denomination A church. Organization Y's articles of incorporation describe its purpose as including "to communicate the religious and spiritual basis for the Corporation's programs and activities" and "to provide specific action ideas, particularly the giving of grants, to enable [Religious Denomination A] to implement actions to address the Corporation's concerns" about specified issues. Organization Y is exempt from tax under section 501(c)(3) of the Code.

Based on the foregoing, you request a ruling that Plan Z is a church plan within the meaning of section 414(e) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(2)(A) of the Code provides that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code).

Section 414(e)(2)(B) of the Code provides that the term church plan also does not include a plan if less than substantially all of the individuals covered under the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (or their beneficiaries).

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B)(i) of the Code generally defines "employee" of a church or a convention or association of churches to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation. Section 414(e)(3)(B)(ii) further provides that an employee of a church or convention or association of churches also includes an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 of the Code shall be deemed the employer of any individual included as an employee under section 414(e)(3)(B) of the Code.

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if it shares common religious bonds and convictions with that church or convention or association of churches.

In this case, Plan Z is a health plan that is maintained and administered by Group B, which is not itself a church or a convention or association of churches. A plan that is not established and maintained by a church or convention or association of churches can qualify as a church plan only if the entity maintaining the plan is an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must (1) have as its principal purpose the administration or funding of a plan to provide welfare or retirement benefits (or both) for employees of a church or convention or association of churches, and (2) also be controlled by or associated with a church or convention or association of churches.

Group B is a not-for-profit corporation which is exempt from federal income tax as an organization described in section 501(c)(3) of the Code. Group B's primary purpose and function is to sponsor and administer a health benefit program for Religious Denomination A organizations. Membership in Group B (and participation in Plan Z) is limited to Churches and other organizations associated with Religious Denomination A and qualified to maintain a church plan. Churches C, D, E, F, G, and H are members of Group B, as are three associations of churches, Organizations I, J and K. The board of directors of Group B is elected by Group B's member organizations. At least 51% of the members of the board must be members of Religious Denomination A. All but two of the directors must be chief executive officers, other senior staff members, or active members of the board of a Group B member organization. Group B has been determined to be a "supporting organization" under section 509(a)(3) of the Code. For these reasons, we conclude that Group B is controlled by or

associated with a church or a convention or association of churches, and is an organization described in section 414(e)(3)(A) of the Code.

Under Section 414(e)(1) of the Code, to be a church plan, the plan must also be established and maintained for the benefit of employees of a church or convention or association of churches. For this purpose, Section 414(e)(3)(B)(ii) of the Code provides that employees of an organization which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches are deemed to be employees of a church.

Plan Z requires that each participating employer organization must be eligible to receive a church plan designation by the Service.

Plan Z covers employees of Churches C, D, E, F, G, and H (including, in some cases, employees of certain Level 1 Churches that are constituent parts of such Churches), and employees of Organizations I through Y. Churches C, D, E, F, G, and H, and Organizations I, J, and K have each previously been determined to be a church or a convention or association of churches. Employees of Churches C, D, E, F, G, and H, and of Organizations I, J and K are thus employees of a church.

Under Section 414(e)(3)(B)(ii) of the Code, employees of an organization that is not a church or an association of churches can be deemed to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; and (2) is controlled by or associated with a church or convention or association of churches.

The remaining organizations that participate in Plan Z, Organizations L through Y, are not themselves churches or conventions or associations of churches, but are organizations that are exempt from tax under Section 501(c)(3). Based on the represented facts discussed above, each such organization either has a church involved in the governance of such organization, receives financial support from a church, or is otherwise sufficiently associated with a particular church, that the employees of each such organization may be deemed employees of a church. Accordingly, we conclude that, under section 414(e)(3)(B) of the Code, the employees of Organizations L through Y are deemed to be employees of a church or a convention or association of churches, because they are employees of an organization which is exempt from tax under section 501 of the Code and which is controlled by or associated with a church or a convention or association of churches.

Based on the representations outlined above and our findings that Plan Z is maintained by an organization described in Section 414(e)(3)(A) for the benefit of employees (or deemed employees) of a church or convention of churches which is exempt from tax under section 501(c)(3) of the Code, we further

conclude that Plan Z is a church plan under section 414(e) of the Code, and has been a church plan, within the meaning of section 414(e) of the Code, since the plan's establishment effective January 1, 2007.

This ruling applies only with respect to the organizations participating in Plan Z as of the date of this letter, in accordance with the facts represented above.

No opinion is expressed as to the tax treatment of the plan described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative. If you have any questions regarding this letter, please contact *****, ID Number *****, at (***) ***-****. Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,



Laura B. Warshawsky, Manager
Employee Plans Technical Group 3

Enclosures:

Deleted copy of ruling letter
Notice of Intention to Disclose

CC:

